



PC AGENDA: 06/02/05

ITEM:

Memorandum

TO: PLANNING COMMISSION

FROM: Stephen M. Haase

SUBJECT: SEE BELOW

DATE: May 25, 2005

Approved:

Date:

COUNCIL DISTRICTS: 3& 4

SNI AREAS: None

SUBJECT: MODIFICATION OF THE NORTH SAN JOSÉ AREA DEVELOPMENT POLICY AND ASSOCIATED GENERAL PLAN AMENDMENTS

PROJECT OVERVIEW

This report addresses the staff proposed update to the North San José Area Development Policy (NSJ ADP) and associated General Plan Land Use/Transportation Diagram Amendments and General Plan Text Amendments, to allow intensification of development within the North San José Policy area. These actions collectively are referred to as the “Update” throughout this report. The North San José Policy area (see attached location map, Attachment 1) consists of 4,987 acres located south of State Route 237, east of the Guadalupe River and generally north and west of Interstate 880, but also including land along both sides of Murphy Avenue as far east as Lundy Avenue.

The full text of the proposed Policy and General Plan changes are attached to this report (Attachment 2). In summary, these changes include:

1) Update to the North San José Area Development Policy

The proposed Update includes numerous changes to the existing traffic level of service policy (Area Development Policy) for North San José. The proposed changes replace the existing system of site-specific Floor Area Ratio (FAR) caps for industrial development with a policy that allows development of an additional 26.7 million square feet of industrial office space, 32,000 residential units and 1.7 million square feet of supporting commercial space within the Policy area. The proposed Policy includes a Development Impact Fee to fund \$519 million in transportation improvements needed to support the new development allowed under the Update. The proposed Policy also includes a phasing program that links the timing of industrial, residential and commercial development with the timing of funding committed for transportation improvements.

2) Modification to the Citywide Level of Service (LOS) Policy

The proposed Update includes the addition of three intersections to the City's list of "protected intersections" as provided for under the pending update to the Citywide LOS Policy, and subject to all of the applicable elements of that LOS Policy, should that update be adopted by City Council. These intersections are: Almaden Avenue/Grant Street, Capitol Avenue/Hostetter Road, and Capitol Avenue/McKee Road.

3) General Plan Text Amendments

The General Plan Text Amendments (**File Nos. GPT04-04-06a and GPT04-04-06b**) are proposed to change the General Plan Text to incorporate the provisions contained in the Update to the North San José Area Development Policy, including text changes to the Transportation Network and creation of two new General Plan land use designations [Industrial Core and Transit/Employment Residential District (55+ Dwelling Units per Acre)] needed to support the specific land uses envisioned within the Update. Text Amendments are also proposed to change the maximum allowed building height limit from 90 feet to 120 feet throughout the Policy area, to 150 feet for properties located within 2000 feet of a light rail station, and to 250 feet for properties within a 600-acre "Industrial Core Area" identified in the Policy.

4) General Plan Land Use Amendments

The General Plan Land Use Amendments (**File Nos. GP04-04-06a and GP04-04-06b**) are proposed to change the Land Use/Transportation Diagram designation from Industrial Park to Industrial Core Area on 600-acres along the light rail corridor, to add the Transit/Employment Residential District overlay to 7 areas totaling approximately 335 acres, and to add the Floating Park overlay designation to each of the seven proposed residential overlay areas. Sites within these overlay designations maintain underlying Land Use/Transportation Diagram designations of Industrial Park, Public/Quasi-Public, Transit Corridor Residential, Combined Industrial/Commercial, and Light Industrial, incorporating existing policies established within the Rincon South Specific Plan area (Attachment 3).

Key Concepts

The key concepts incorporated within the proposed Update are:

- Replacement of the existing system of site-specific Floor Area Ratio (FAR) caps for industrial land uses and vehicular traffic intersection Level of Service (LOS) averaging within the Policy Area with the ability to build up to 26.7 million square feet of industrial office space throughout the North San José Policy Area.
- Establishment of an Industrial Core Area to promote the development of a driving industry corporate center along the North First Street corridor. Of the 26.7 million square feet of future development capacity in the North San José Policy Area, 16 million is proposed to be reserved for the Industrial Core Area, resulting in an average FAR of 1.2 in the Core Area. (The remainder, 10.7 million square feet, may be allocated to any property within the Policy area with preference given to transit-oriented sites along the North First Street and Tasman light rail corridors, resulting in an average FAR of 0.4 for all properties outside of the Core Area.)

- Support for the potential conversion of up to 285 acres of existing industrial lands to residential use along with construction of new supporting park and community uses, providing for the construction of 32,000 new residential units, utilizing the Transit/Employment Residential District Overlay designation.
- Provision for the addition of 1.7 million square feet of new supporting commercial uses, including General Plan changes to allow ground level retail throughout the Industrial Core Area and the Transit/Employment Residential District Overlay areas.
- Modification of the Policy Area boundaries to remove the Airport, the Rosemary Gardens neighborhood, and most of the industrial and residential properties east of Interstate 880. The areas proposed to be removed from the Policy Area are currently subject to the citywide Traffic LOS Policy, and will remain so, but, if the Update is adopted by Council, will no longer be subject to the site-specific FAR limits applicable to such sites under the North San José Area Development Policy in existence today.

BACKGROUND

Site and Surrounding Uses

The proposed Policy Area boundaries generally align with the boundaries of the Rincon de Los Esteros (Rincon) Redevelopment Area and include all of the Rincon South Specific Plan Area except for the Rosemary Gardens neighborhood. The predominant land use is industrial park, including industrial office, research and development and light manufacturing. The Policy Area also includes approximately 350 acres of heavy and light industrial land, 500 acres of residential land, 200 acres of commercial land and some public uses, including the State's Agnews Developmental Facility for the developmentally disabled and a Valley Transportation Authority (VTA) bus yard. Less than 5% of the developable land is currently vacant.

Existing development includes 42 million square feet of industrial space and 8,000 residential units. The industrial development supports approximately 1,500 businesses and 54,000 employees. The residential units are distributed among two mobile home parks, the medium-high density Renaissance, North Park and River Oaks developments, a mixture of multi-family and single-family developments along Murphy Avenue and a small number of apartment buildings within the Rincon South sub-area. Key features of the area include the Guadalupe River along the western edge, the Coyote Creek along the eastern edge and the North First Street and Tasman Light Rail corridors.

Surrounding land uses within the City of San José include the San José Norman Y. Mineta International Airport immediately to the southwest, a mixture of residential, industrial and civic uses to the south, industrial and residential uses to the east and industrial uses and the Water Pollution Control Plan (WPCP) buffer lands to the north. The Policy Area is bordered by the City of Santa Clara to the west and the City of Milpitas to the east. A mixture of residential, commercial and industrial uses are located within those jurisdictions within proximity of the Policy Area.

Existing Policy

The City's current Area Development Policy for the North San José area was adopted by the City Council in March 1988, following recommendations prepared by the Golden Triangle Task Force. The Golden Triangle Task Force consisted of representatives of the cities of San José, Milpitas, Santa Clara, Sunnyvale, Mountain View, Palo Alto and the county of Santa Clara who were asked to develop a common set of land use policies to address regional traffic concerns. The Task Force policy recommendations addressed the industrial land uses generally located in the triangular area bounded by Interstate 880, Highway 101 and Highway 237. Each of the participating jurisdictions then adopted policies and/or ordinances intended to mitigate traffic impacts for industrial development while also allowing a fair distribution of development capacity. San José uniquely incorporated these policies into the City's General Plan through adoption of the North San José Area Development Policy (NSJ ADP).

The adopted NSJ ADP includes several policies intended to reduce regional traffic associated with industrial development within the Policy area. Most notably, the current Policy restricts the development intensity for all industrial land uses through a floor area ratio (FAR) cap. The FAR cap is 0.35 for most properties and 0.4 for properties located within 2000 feet of a light rail station. The current Policy also recognizes the benefit of locating residential development in close proximity to the existing industrial job centers, allowing for some "internalization" of commute traffic within the current Policy area, through the transfer of industrial development capacity when an industrial property is converted to residential or other non-peak hour employment generating use. As residential development projects were approved, the displaced amount of industrial development capacity was placed in a "square footage pool" and made available for allocation to other properties, resulting in a significantly higher FAR on selected sites. Accordingly, industrial development capacity resulting from the conversion of industrial lands to build the Renaissance, North Park and River Oaks residential projects has been fully allocated to industrial properties within the current Policy area.

Most areas of the City are covered by the General Plan's citywide Traffic Level of Service (LOS) Policy, which sets the goal of maintaining a traffic LOS of "D" for most City intersections. Adoption of an Area Development Policy allows the City to establish alternative standards for traffic LOS. Under the current NSJ Area Development Policy, the City evaluates potential traffic impacts for new development in North San José against an average level of service over a number of area intersections, rather than on an intersection-specific basis, requiring that an LOS of "D" be maintained as an average for all intersections within the Policy area. As a result, not all individual intersections within the North San José Policy Area currently meet the citywide LOS "D" standard.

ANALYSIS

The key issues in analyzing the proposed Update are 1) the need for revision of the existing Policy, 2) consistency with the *San José 2020 General Plan* Major Strategies, Goals, and Policies and 3) consistency with the Council adopted *Framework for evaluating proposed conversion of employment lands to other uses*. This analysis also addresses the substantive issues raised by community residents, members of the development community, property owners and other public jurisdictions.

1) Need for Revision of the North San José Area Development Policy

The need to revise the North San José Area Development Policy was initially identified during the City Council's "Getting Families Back to Work" study session and subsequently listed as a key tactic in the Economic Development Strategy adopted by City Council in December 2003. The North San José area is home to some of San José's best known technology companies, including Agilent, BEA, Sun Microsystems, Altera, Cisco, Hitachi, eBay, Atmel, Sony, KLA Instruments, Hynix, Canon, Samsung and Cypress Semiconductors. These driving industry companies fuel the local economy and add millions of dollars to the General Fund annually. The Rincon Redevelopment Area also generates the majority of the City's property tax increment revenue, averaging \$111.5 million in revenue for the City during the past 5 fiscal years.

The City adopted the current Policy to address valid regional traffic concerns identified in the mid 1980s. Deteriorating traffic conditions were of particular concern given the importance of industrial development within North San José as a critical element in the City's overall strategy to maintain a healthy, balanced economy and to achieve other General Plan objectives. As a result of the FAR cap, industrial development in North San José has been fairly uniform and low intensity in nature. Consequently, North San José industrial park development is characterized architecturally by low- to mid-rise office buildings, one- or two-story light manufacturing and research & development facilities, surface parking lots and in some cases, large amounts of landscaping. Consistent with this type of development, the street block pattern is large and irregular, and access into North San José is provided mostly from a limited number of regional freeways or expressways.

Today, the overall average FAR for North San José industrial development is approximately 0.34, approaching the full amount of development allowed under the Policy. Staff has calculated that for the 4,987 acre North San José area, approximately 6.7 million square feet of additional development, in theory, could be built if every property within the Policy area were developed up to its FAR cap. This amount of development is not realistically attainable, as it requires redevelopment of some properties already committed to low intensity industrial uses (e.g. fuel storage facilities), minor additions to a very large number of properties, and analysis of traffic impacts on a project-by-project basis that may not be able to identify suitable or cost feasible mitigation for traffic impacts to meet the current Policy traffic LOS standards.

While the North San José Area Development Policy has been a fairly effective policy tool for managing regional development during the past 15 years, the Policy now acts as an obstruction to new development or redevelopment within the Policy Area in multiple ways. First, the FAR cap prevents North San José companies from expanding on site if already developed up to the FAR cap level. Second, the FAR cap discourages new companies from locating within North San José when they are seeking a mid-rise product type or are concerned about future expansion

capability. Third, the FAR cap discourages the redevelopment of existing obsolete buildings for property owners who know that they will not be able to increase the building size as part of the redevelopment. Finally, the FAR cap, in allocating precise amounts of development to each parcel, is inflexible, effectively tying up development capacity on sites with little or no likelihood of utilizing that capacity.

Recent development activity and input from property owners confirms that the current Policy has prevented or severely complicated significant development proposals. Most notably, the City was able to accommodate the large-scale expansion plans of two of San José's largest employers, eBay and BEA, only through a commitment to examine modifications of the existing Policy to meet their future needs. Two other companies, Webex and Synaptics, chose to relocate outside of San José partly because they could not identify a suitable mid-rise campus site within the City. While San José continues to have a share of the vacant office space caused by the regional economic downturn, a positive net absorption is taking place in all market sectors and specific companies and property owners are seeking opportunities to expand in accord with their financial performance. There is also general acknowledgement that North San José has many underutilized, high value properties that are ripe for redevelopment as higher density development sites. At the "Getting Families Back to Work" Study Sessions and during interviews conducted during the development of the Economic Development Strategy, CEO's for several high-level driving industries indicated their intention to use land more strategically at higher intensities. These development proposals are clear indications that San José companies wish to stay and grow here at higher intensities than previously allowed.

The City of San José initiated formation of the Golden Triangle Task Force in 1985 and took a leadership role in the promotion of multi-jurisdictional policies to address regional traffic concerns. The City had an interest in a regional planning effort because deteriorating transportation level of service within the North San José area was directly attributable to regionally-generated traffic. The Task Force ultimately recommended that the participating jurisdictions impose a 0.35 FAR cap on their industrial lands. This FAR cap has not, however, been universally maintained within the neighboring jurisdictions. The city of Santa Clara did not participate in this regional planning effort despite being located within the study area and has typically allowed industrial development well in excess of the FAR cap amount. Other cities initially adopted the FAR cap policy in some form, but have since significantly relaxed implementation of their policies on this issue.

As described above, the current Policy does provide for the transfer of development capacity through allocation from a "square footage pool". This pool was generated primarily by approval of General Plan Amendments on industrial lands for three large residential projects, following adoption of the Policy. The existing pool square footage has been fully allocated to industrial properties, and development approvals in recent years have committed future "pool" capacity if and when it materializes as well. Without additional large-scale, residential conversions of industrial lands within the Policy area, the pool is no longer a viable mechanism to accommodate new industrial development projects. Current policies also do not identify suitable sites for the conversion of industrial land to residential use. Such conversions, conducted on a piecemeal basis, are inconsistent with other City policies and could quite likely undermine the long-term viability of North San José as a high-tech employment center.

For these reasons, the City has a demonstrated need to revise the North San José Area Development Policy to allow for ongoing job growth within the North San José area and to maintain the City's ability to compete with other jurisdictions for new economic development.

2) Consistency with the San José 2020 General Plan Major Strategies, Goals, and Policies

The proposed Update to the North San José Area Development Policy is consistent with all seven Major Strategies of the General Plan: Economic Development, Growth Management, Downtown Revitalization, Urban Conservation, the Greenline/Urban Growth Boundary, Housing, and Sustainable City. Discussion of the proposal's consistency with the most relevant of these Strategies and with their corresponding goals and policies is included in the following analysis.

Economic Development Major Strategy

Economic development is a fundamental priority for future growth of the City. The General Plan's Economic Development Major Strategy strives to make San José a more "balanced community" by encouraging more commercial and industrial growth to balance existing residential development. Improving the City's jobs-housing balance is a vital step towards improving the City's long-term fiscal health. Specific economic goals target creation of job opportunities and increasing the City's share of total industrial and commercial development in the County. Specific policies support improvement of the jobs-housing balance, business attraction, capital improvement programs, and incorporation of supporting business services.

The proposed Update responds directly to this Strategy, and the associated goals and policies, by establishing a framework to allow and encourage ongoing industrial and commercial job growth within the City. Its primary purpose is to provide for the addition of 26.7 million square feet of new industrial development within the Policy Area. This amount of development is projected to support 83,300 new employees, many of whom are expected to be employed in high-tech "driving" industries. The Association of Bay Area Governments (ABAG) develops population and job growth projections for the region. The most recent ABAG projections forecast the addition of 440,000 new jobs and 520,000 new residents within the County by the year 2030. The proposed Update allows for a significant portion of these jobs to be located within the North San José Policy Area, jobs that which could otherwise be displaced to other parts of the County.

The Update allows the City to improve its jobs-housing balance by providing for job growth at a favorable ratio to housing growth. That is, the amount of residential development included within the proposed Update supports 68% of the new job growth within the Policy Area, with the remainder of the housing need met by other residential areas in San José or neighboring jurisdictions. Because of the current job deficit in the City, providing jobs and housing at an even proportion improves the City's jobs-housing balance. At build-out, development allowed under the proposed Update will contribute even further toward an improvement in this ratio. To be consistent with this Strategy, the proposed Update includes a phasing requirement that limits the amount of residential development that can occur in advance of new industrial development. As proposed, no more than 25% of the new residential units (8,000 units) can be entitled in advance of entitlements for 25% of the new industrial development (7 million square feet). Based upon fluctuations in the real estate market, future development applications may swing to heavily favor either industrial or residential development. Allowing too much residential development to occur in advance of the industrial development could further worsen the City's jobs-housing balance for several years and, taken to an extreme, could destabilize the industrial

character of North San José. Providing some housing, however, will provide a benefit for internalization of some regional traffic and support job growth by meeting a demand for more proximate employee housing.

The proposed Update addresses the needs for capital improvements to the City's infrastructure system, and includes a provision to construct \$519 million in transportation network improvements to support the new development through public funding and a Development Impact Fee. These improvements have been carefully identified and their construction planned within development phases to maximize their benefit. New construction within the Rincon Redevelopment Area will generate tax increment funds that can be used towards additional infrastructure improvements.

The proposed Update also allows for the incorporation of supporting business services within the North San José Policy Area by providing environmental clearance and policy modifications to allow up to 1.7 million square feet of new supporting commercial uses within the Policy Area. The current General Plan designations support only a very limited amount of new commercial development within North San José. The proposed new General Plan land use designations (Industrial Core and Transit/Employment Residential District) allow for the incorporation of ground-level commercial as part of mixed-use development, essentially adding 1,000 acres of land available for potential commercial use.

Growth Management Major Strategy

The Growth Management Strategy includes policies that guide new development to areas of the City that will minimize the impact upon the level of services provided by the City and that promote a mix of development types favorable to the City's fiscal condition. This Strategy incorporates the City's Urban Growth Boundary which limits development outside of the Urban Service Area. The Strategy also states that new development is expected to pay for the infrastructure required to support it.

The proposed Update is consistent with this Strategy in that it provides for a mix of industrial, commercial and residential development in proximity to each other and within an already developed portion of the City. Allowing intensification of both jobs and housing in proximity to existing infrastructure including the light rail system, the recycled water pipeline, the Airport and major regional freeways, maximizes the City's ability to utilize these existing resources. Integration of supporting commercial uses with employment areas and providing housing and jobs near each other reduces the commute needs of City residents and their impact upon the road infrastructure. Allowing for new development within the City limits also reduces the pressure for new development outside of the City's Urban Growth Boundary.

Citywide Level of Service (LOS) standards for infrastructure and services provided by the City are an important element of the Growth Management Strategy. Maintaining adequate LOS is important to the City's long-term economic vitality and to the quality of life for its citizens. The large amount of development proposed within the Update generates significant amounts of traffic within the North San Jose Policy Area, but also increases traffic levels at intersections in surrounding neighborhoods, the Downtown area and along major transit/transportation corridors. The Update includes a program of transportation improvements that increase roadway, transit, pedestrian and bicycle facility capacity to address much of this traffic increase, but even with the improvements, significant project-related increases in traffic levels were identified at six

intersections so that with build-out of the Update, they no longer meet the citywide LOS “D” standard for roadway intersections.

These six intersections meet the criteria for “protected intersections” included within the pending update to the citywide traffic LOS Policy scheduled for consideration by the City Council next month and, should the Council approve of the proposed update to the citywide traffic LOS Policy, the addition of three of these intersections to the list of “protected intersections” is proposed as part of the Update to the North San José Area Development Policy. These intersections are: Almaden Avenue/Grant Street, Capitol Avenue/Hostetter Road, and Capitol Avenue/McKee Road. The intersections at Capitol Avenue/Hostetter Road, and Capitol Avenue/McKee Road are projected to reach an LOS of “E” while the intersection at Almaden Avenue/Grant Street is projected to reach an LOS of “F”. The remaining three of these intersections, Tenth Street/Hedding Street, Tenth Street/Julian Street and Tenth Street/Taylor Street, are being addressed in the proposed Downtown Strategy 2000 Plan and are similarly proposed to become “protected intersections” as part of the “Gateway Corridors” proposed in that effort.

All six intersections are located within special planning areas as described in the pending update to the traffic LOS Policy. Construction of roadway improvements to provide additional vehicular capacity at these intersections is detrimental to other modes of transportation (e.g. pedestrian and transit) and to the neighborhood character, and thus in conflict with other General Plan goals, including policies promoting infill development and pedestrian safety. If the update to the traffic LOS Policy is adopted by Council, designating these intersections as “protected intersections” could then help to establish a mechanism for pursuing improvements to neighborhood pedestrian facilities in the area and further the City’s efforts to promote alternative modes of transportation in the area along with other goals of the proposed Update. The proposed Update includes funding for the conversion of the Downtown area paired one-way street “couplets” (3rd Street and 4th Street, Julian Street and St. James Street, 10th Street and 11th Street and Almaden Street and Vine Street) to regular two-way streets as a pedestrian facility improvement to off-set Update-related increases in traffic levels.

Traffic increases at these six intersections can be attributed to the commute pattern resulting from long-term build-out of residential lands currently in the General Plan and the proposed amount of industrial (employment-generating) development in the Update. Traffic along Capitol Avenue is primarily associated with new residential development along Capitol Avenue or on properties further east or south providing residential support for continued job growth in North San José. The intersection of Almaden Avenue and Grant Street functions as part of the regional freeway system and is being impacted by traffic between residential development in the central and southern parts of the City traveling to the North San José job center. The other Downtown area intersections carry traffic between the Downtown and North San Jose area and function as part of alternative north-south commute routes.

Overall, the proposed Update includes several elements to reduce potential traffic impacts. The phasing program discussed above requires the construction of transportation improvements as development progresses and links the development of residential and employment uses. The proposed mix of land uses is intended to promote a high degree of “internalization” of traffic within the Policy area. The proposed Update allows for concentration of new development along the existing Light Rail line. The Update provides for pedestrian, bicycle and transit facility

improvements, including Light Rail system operation improvements and construction of two major bicycle/pedestrian trails.

Because the Update effort included a traffic analysis that identified the impacts of build-out of the full amount of new development capacity proposed within North San Jose through the Update, the analysis is reflecting traffic conditions based upon long-term job and population growth projections for the region. As discussed above, similar traffic impacts throughout the City are projected to occur by the year 2030 with or without adoption of the proposed Update. The proposed Update however allows for job growth within the City, strengthening the City's fiscal position and allows for the concentration of new residential development in proximity to existing City services, reducing the overall fiscal impact of that residential development. The proposed Update also directly responds to the General Plan goal of improving the City's jobs/housing balance. Improving the City's fiscal position and growing the City's job growth will enable the City to provide a higher level of service for all City services over the long-term.

Downtown Revitalization Major Strategy

The Downtown Revitalization Strategy states that it is vital to the City's long term economic and social well being to promote Downtown economic development and the Downtown's perceived identity and image as the heart of San José.

The intensification of North San José envisioned within the proposed Update is intended to be different from, but complementary, to development activity within the San José Downtown area. The proposed densities within the Industrial Core Area are still considerably lower than those existing or planned in the Downtown. Additionally, the anticipated building and land use types differ in that Downtown will continue to be more attractive for housing ownership and high-rise office development, while North San José will continue to provide for heavy and light industrial uses as well as mid-rise office development, and primarily rental housing targeting area workers. Furthermore, the Downtown will continue to develop as the City's focal point for cultural and other civic activities. For these reasons, the proposed Update is consistent with this Strategy.

Housing Major Strategy

The City's overall housing objective is to provide a wide variety of housing opportunities to meet the needs of all economic segments of the community in neighborhoods which are stable and have adequate urban services. The Housing Strategy seeks to maximize housing opportunities on infill parcels already served by the City and to provide sufficient housing opportunities for new workers to encourage and support continued economic development.

The proposed Update will provide for a significant amount of new housing development (up to 32,000 units) within an already developed area of the City. Because the project boundaries mostly coincide with the Rincon Redevelopment Area, all of the new housing will be subject to affordability requirements. Providing higher density housing, in proximity to transit and job centers, is necessary in order for San José to increase the variety and accessibility of housing available for San José residents. The proposed Update directly meets these Strategy goals.

The proposed Update also addresses the need to provide parks, schools and other community facilities, along with supporting commercial services, as part of the formation of new neighborhoods and includes a specific requirement for the development of at least seven new Neighborhood Parks. The existing policies have restricted the amount of commercial space in

North San José and resulted in the development of isolated residential pockets. The proposed residential overlay ties these existing residential areas together, connects them to existing amenities such as the Coyote Creek and Guadalupe River, and provides for the development of new park and school sites to serve both existing and new residential developments.

The adequacy of planning efforts for new park, school and other community facilities as part of the proposed Update was a concern consistently raised by neighborhood residents during the public outreach for this proposed Policy Update. While the proposed Area Development Policy and General Plan amendments are intended to establish a high-level framework for new growth within San José, with more specific land use issues to be addressed through subsequent zoning and permit processes, considerable effort was made in the Update process to address these concerns within the proposed Policy documents.

The proposed General Plan amendments include application of the City's "Floating Park" overlay designation to the seven locations proposed for new possible residential development. Accompanying text within the proposed Policy places emphasis upon land dedication for new park sites and establishes performance criteria for the construction of new parks within reasonable distance of (generally 1000 feet) and accessible to all new residential development. The proposed Policy supports the use of innovative strategies to provide park and school facilities, including the development of joint school-park sites and calls for the proactive designation and/or acquisition of sites for public facilities, including use of existing Public/Quasi-Public lands within the Policy area. All new development within the Policy area will be subject to the City's Parkland Dedication and Park Impact ordinances, and will need to be consistent with the General Plan goals for park acreage per residential unit.

Sustainable City Major Strategy

The Sustainable City Strategy states the City's desire to become an environmentally and economically sustainable city. A sustainable city is defined as a "city designed, constructed and operated to minimize waste, efficiently use its natural resources and to manage and conserve them for the use of current and future generations."

The proposed Update addresses sustainability by proposing a mix of commercial, industrial and residential land uses along with a fair-share system to fund the construction of new transportation infrastructure related to such new development. The Update is also consistent with sustainability goals by promoting higher densities and increased utilization of already urbanized land.

Per ABAG projections, regional economic and population growth will occur with or without modification to the NSJ Area Development Policy. While population growth can result in environmental impacts, intensification of development is one way to minimize those impacts. Placing jobs and housing at higher densities closer together reduces the employee's need for automobile travel between workplace and home. Reductions in automobile travel serve to lessen traffic and air quality impacts. Higher density development is also more efficient in terms of water and energy consumption while sprawling, lower intensity development increases the resource and financial cost of providing City services.

Within Santa Clara County, housing is concentrated to the south and east while employment centers are concentrated to the north and west. Without modification to the Area Development Policy, new development will almost certainly continue this pattern, further exacerbating traffic

congestion related to a highly directionalized commute pattern. The proposed Update allows for the placement of a significant number of jobs and housing in close proximity to each other, reducing the need for San José area residents to travel longer distances to reach their jobs and reducing the impact upon the limited points of access into and out of the project area.

A key component of the proposed Update is the establishment of a Development Impact Fee. As part of the project analysis, roadway infrastructure improvements were identified to support the amount of development included within the Policy. The Development Impact Fee acts as a funding mechanism for these regional and local transportation improvements along with bicycle, transit and pedestrian facility improvements. A nexus study (Attachment 4) was prepared to analyze and document the specific correlation between these improvements and new privately initiated development. Based upon the City's current fiscal resources, staff recommends that a portion (\$30 million), of the total cost (\$520 million) for these improvements be funded by the City. The City can reasonably anticipate securing other public funding (\$29 million) to fund an additional portion. The remaining amount (\$460 million) is proposed to be divided equally between the residential and industrial development on a per-trip basis, using the number of PM peak hour trips generated by a proposed development to determine the specific fee amount. The resulting fee is \$10.44 per square foot for industrial development, \$6,994 per unit for single-family development and \$5,596 per unit for multi-family development (Y2005\$). Improvements planned for funding through the existing North San Jose Deficiency Plan Fee are incorporated into the new fee so that the City will no longer need to collect the Deficiency Plan Fee separately.

The proposed Development Impact Fee provides a mechanism that provides certainty and fairness for the funding of new transportation infrastructure related to new development in the Policy Area and eliminates the need for private developers to perform complicated traffic analyses for their projects. Under current policies, the cost of traffic mitigation associated with a particular project is unknown in advance of completing a project specific traffic analysis. Once the traffic analysis is completed, mitigation measures (roadway improvements) are identified to mitigate any traffic impacts to meet the Policy LOS standard. The costs of those improvements can be highly variable and in many cases, one development may be required to pay a disproportionate amount of the area's infrastructure costs because of the project's timing, even though the improvement may benefit the larger area. The proposed Development Impact Fee greatly simplifies this process and establishes a system by which each development will pay a fee directly proportional to the number of vehicle trips generated by the development. This approach also allows the City to plan roadway improvements more systematically for the entire North San José Policy Area and to prioritize those improvements so that the most beneficial are built first. Under the revised policy, the fee system also avoids construction of improvements that provide little real benefit but technically provide mitigation under the current Policy. Finally, unlike the current policy, the proposed approach also allows for mechanisms to fund transit, pedestrian and bicycle facility improvements to further promote use of these alternative modes of transportation.

Through the course of public discussion on the proposed Policy Update, some concern has been raised regarding the feasibility of the proposed phasing plan and the Development Impact Fee. As part of the proposed Policy, the Development Impact Fee provides an option and new value for existing property owners who wish to redevelop. Because of the existing FAR cap, currently the only certain way to obtain additional development capability is through the purchase of land.

If a current property owner within the Policy Area wishes to expand development beyond the FAR cap amount, they generally must purchase additional land, obtaining up to 0.35 or 0.40 square feet of development capability for each square foot of land purchased. The proposed Development Impact Fee (\$10.44 per square foot for industrial development) provides the opportunity for the property owner to purchase additional square footage at a much lower cost than under the current system (e.g., if land is available at \$1 million dollars per acre and the developer can build only an FAR of 0.35 or 15,250 square feet of building area per gross site acre, the cost to obtain development rights under the current policy is approximately \$65 per square foot compared with the level of the proposed Development Impact Fee noted previously).

3) Consistency with the Council adopted *Framework, as a Guideline, to Evaluate Proposed Conversions of Employment Lands to Other Uses*

On March 30, 2004, the City Council approved the “*Framework, as a Guideline, to Evaluate Proposed Conversions of Employment Lands to Other Uses*” (Framework) with direction to City staff to use the Framework to evaluate any proposed conversion of employment lands to other uses. The Framework is based on an acknowledgement that employment lands are an irretrievable City resource and a conservative approach to managing the supply of employment lands is prudent given the City’s long term economic development needs and its vision of becoming a balanced community.

In order to support continued job growth in North San José, the Policy Update provides for the development of up to 32,000 new residential units, including the potential conversion of up to 285 acres of existing industrial lands within a proposed 335-acre Transit/Employment Residential District Overlay area. The proposed Policy also includes identification of a 20-acre site potentially suitable for conversion to residential use, but does not support additional conversions beyond this specific site and the initial 335-acre Overlay area. These new residential areas are intended to provide additional opportunity for housing to be located in close proximity to jobs, reducing employees commute travel times, making increased use of transit facilities and reducing overall traffic congestion. Conversion or potential conversion of industrial land to non-industrial use requires review using the City Council adopted Framework.

As part of the Update, a new residential General Plan overlay designation is proposed for approximately 335 acres within the Policy Area. The proposed Update allows conversion of up to 285 acres of this land to residential use, with the expectation that the remainder of the Overlay areas are given priority as sites for construction of parklands or other supporting uses. This new designation, “Transit/Employment Residential District”, allows the ongoing operation of existing industrial uses in full conformance with the General Plan while also providing the option of residential development at a minimum density of 55 dwelling units per acre (DU/AC). Providing some new residential land within the Policy Area is highly beneficial to reduce regional commute traffic, particularly at the limited access points into and out of the Policy Area. Because industrial land is a precious commodity for the City, it is vital that any conversion to residential use yield a high number of residential units to provide adequate benefit to justify the conversion. Based upon surveys of existing residential developments (e.g., the Northpark development with densities of 65-67 DU/AC) and staff conversation with residential developers familiar with medium- to high-density residential products, this minimum density has been determined to be economically feasible and compatible with current construction practices including the use of wood-frame structures.

The Framework (Attachment 5) includes four elements to be used as guidelines for evaluating proposed conversion of employment lands to other uses. The four elements are discussed below:

Element #1

The Framework identifies the Agnews site in North San José as an appropriate site for a mix of housing and retail services if it becomes available. The environmental analysis for the proposed Update addressed the possibility of placing the proposed Transit/Employment Residential District Overlay upon this site. Staff is recommending at this time, however, that the Overlay not be applied to the Agnews site because the State has recently indicated an intent to continue operation of the Agnews facility for the development disabled, and the current Public/Quasi-Public designation, without the Overlay, is more appropriate for this use. If the State should determine that the site is a surplus property at some point in the future, other policies within the General Plan could support its possible conversion in the future to residential or other compatible use.

Element #2

The Framework identifies the North First Street Corridor (between US Highway 101 and Montague Expressway) and the adjacent “North San José 4” area as targeted areas for intensification of industrial development and possible incorporation of housing and/or supportive retail development. The Industrial Core Area designation is proposed to be applied to this area and, as drafted, is precisely consistent with this recommendation. The proposed Update reserves 16 million square feet of the 26.7 million total industrial development capacity for development within this area, resulting in an average FAR of 1.2. The proposed corresponding Industrial Core Area designation supports intensified industrial use and also allows for supporting retail development and the incorporation of housing, provided that the residential development is integrated within and clearly subservient to an industrial project.

Opportunities to add high-density housing within the “North San José 6” (Rincon South) area are directly supported by the Framework. A significant portion of the proposed residential overlay is located within this area.

The Framework does not support new residential development within the “North San José 2” area (Policy area north of Montague Expressway) with the exception of the Agnews site. Application of the residential overlay is proposed, however, for a significant amount of land within this Framework area in order to connect existing residential development to form a more cohesive residential area, and to provide access from residential properties to amenities such as the trails and open space along the Guadalupe River and Coyote Creek. The proposed conversion within this Framework area was carefully considered and in support of the goal of providing higher density residential development in support of the existing employment center, these properties were identified as the most suitable within the Policy area.

Element #3

The Framework recommends that the “North San José 1” (Alviso) and “North San José 5” (east of Interstate 880) areas be preserved for “Driving and Business Support Industries.” The proposed Update does not include any land use changes for these areas, but removes Alviso from the current Policy boundaries. The proposed Update allows for intensification of the “North San José 5” area, and potentially allows intensification within Alviso by removing it from the area subject to the FAR cap. Both changes are consistent with the Framework.

Element #4

Element #4 of the Framework sets forth criteria to use for the evaluation of proposed industrial to residential conversions. These criteria were used in the selection of sites for the proposed Overlay (e.g., proximity to existing residential use, proximity to transit facilities) and where appropriate have been incorporated into the proposed Update Policy text (e.g., policies to protect existing industrial uses, buffers for residential/industrial interfaces). The proposed Update is wholly consistent with this element.

CONCLUSION

Updating the North San José Area Development Policy is vital to the City's ongoing economic development. While the City's policies have successfully guided development within North San José for years, establishing it as a prestigious location for high-tech business, the current Policy now creates a serious constraint upon further job growth. The proposed Update will provide capacity for a significant amount of new job growth while also addressing the long-term sustainability of the region by incorporating residential and transportation infrastructure elements.

The new Policy is welcomed by the San José corporate and development community, responds to concerns and suggestions during the Getting Families Back to Work Study Sessions in August 2003, and:

- Ensures the retention of existing headquarter companies by enabling more of them to maximize their development potential in San José;
- Encourages local developers and property owners to redevelop existing horizontal campuses of past decades to respond to the market and corporate demands of future decades; and,
- Provides for industrial-serving residential and retail development in appropriate areas within the industrial park.
- Minimizes impacts upon transportation infrastructure and other City services by focusing development within an already urbanized area, by promoting a mutually supportive mix of land uses and by tying industrial and residential development with transportation improvements in a phasing program.
- Maximizes utilization of existing infrastructure, including the North First Street transit corridor.
- Proactively plans for regional growth in a manner beneficial to San José.

As discussed above, the proposed Update, and associated General Plan amendments, are wholly consistent with the Goals and Strategies of the City's General Plan and other applicable policies. Updating the Policy is an important action for the City to take to provide for the needs of current and future residents.

PUBLIC OUTREACH

An extensive public outreach program has been conducted for the proposed project. Public outreach efforts included nine community meetings for the general public, and a large number of presentations to community organizations, stakeholder groups and other public bodies along with standard public noticing conducted as part of the General Plan Amendment and environmental review processes.

Community meetings were held on October 6 and 7, and December 2 of 2004, and February 16, and 24, April 25, 26 and 28 of 2005. A scoping meeting for the project Environmental Impact Report was held on November 30, 2004. Notices of these meetings were distributed through the mail to residents and property owners of properties located within the Policy area or within 1000 feet of its perimeter, via email utilizing the Council District 4 email list, through publishing in the Mercury News and posted on the City's internet site. Contact information for interested parties was collected at each meeting, the internet site and through direct communication with City staff. Between 10 to 25 people attended each meeting. Issues raised at these meetings included concern over land use compatibility, traffic impacts, adequacy of proposed parklands and school sites for new residential development, the design quality of new residential development, potential flooding and stormwater impacts.

Meetings were held with the following specific groups: Strong Neighborhoods Initiative Project Area Committee, Berryessa Community Advisory Council, Council District 6 Community, the Downtown Association, the Sierra Club, the San José Host Lions Club, Sons in Retirement (SIRS), the Silicon Valley Manufacturing Group Land Use and Transportation committees, the Chamber of Commerce, the Home Builders Association, NAIOP, the Building Trades Council Board, the Consulting Engineers and Land Surveyors of California, the Tri-County Apartment Association, and the Housing Action Coalition.

The project was publicly discussed at a City Council study session on February 14, 2004 and at meetings of the Driving a Strong Economy and Building Better Transportation City Council committees. The project has also been presented to the Housing Advisory Commission and the Parks and Recreation Commission. Comments from the Parks and Recreation Commission are attached (Attachment 6).

Staff held additional meetings with primary property owners within the Policy area and with other public agencies including the Valley Transportation Authority, Caltrans, the City of Milpitas, and the City of Santa Clara.

ENVIRONMENTAL REVIEW

The environmental impacts of this project, which includes the full build-out allowed under the proposed Area Development Policy along with the proposed General Plan Amendments and subsequent adoption of a revised North San José Deficiency Plan, rezoning actions and other associated permits, were addressed by an Environmental Impact Report (EIR) entitled "North San José Development Policies Update" to be heard by the City of San José Planning Commission on June 2, 2005. The EIR analyzed potential impacts resulting from the project upon land use compatibility, transportation, air quality, noise, biological resources, cultural

resources, geology and soils, hydrology and water quality, hazardous materials, utility and service systems and energy use and identifies mitigation measures and project alternatives that avoids or reduce impacts.

The EIR identifies that implementation of the project results in significant unavoidable impacts upon land use compatibility (due to project-related traffic), traffic levels both within San José and the region, air quality, noise, biological resources (resulting from a loss of Burrowing Owl habitat) and energy use. The project EIR also identifies a cumulative significant unavoidable impact associated with the project for land use, traffic, air quality, noise, biological resources and energy use. The EIR discusses project alternatives, but does not identify an environmentally superior alternative that wholly meets the objectives of the proposed project.

Because the project will have significant unavoidable impacts, the City Council will be required to adopt a statement of overriding considerations as part of the Resolution of EIR findings explaining how the benefits of the project outweigh the impacts.

Further discussion of the project EIR is included within a separate staff report.

COORDINATION

This report has been prepared in coordination with the Redevelopment Agency, the Office of Economic Development, the Department of Transportation, the Department of Public Works and the City Attorney's Office. Memoranda from the Department of Public Works, the Department of Transportation, the Fire Department, and the Environmental Services Department are attached (Attachment 6).

RECOMMENDATION

Planning staff recommends that the Planning Commission forward a recommendation to the City Council to adopt the proposed Update to the North San José Area Development Policy, including associated changes to the General Plan Text and Land Use/Transportation Diagram.

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Planning, Building and Code Enforcement

Attachments

